FINANCIAL REPORT WITH SUPPLEMENTARY INFORMATION

Year Ended March 31, 2007

| | DUEDURES REPORTED IS MAIN AS A MENDER OF THE POPULATION OF THE POP | | | | | |
|--|--|---|-------------------------------|------------------|---------------------|----------------------|
| Local Government Typ City X Township | e | Local Government | | | County | _ |
| Audit Date | ☐ Village ☐ Other ☐ Opinion Date | Township of S | ummit Date Accountant Repo | ert Submitted to | Mason State | |
| March 31, 2007 | July 20, 20 | 07 | July 31, 2007 | | | |
| prepared in accordan | financial statements once with the Statements or Financial Statements or Finan | ts of the Governn | nental Accounting : | Standards Bo | ard (GASB) an | d the <i>Uniform</i> |
| We affirm that: | | | | | | |
| 1. We have complied | d with the Bulletin for th | ne Audits of Local | Units of Governme | ent in Michigar | as revised. | |
| 2. We are certified po | ublic accountants regis | stered to practice i | in Michigan. | | | |
| We further affirm the the report of commen | following. "Yes" respons following. "Yes" responses and recommendation | nses have been d ins | lisclosed in the fina | ncial stateme | nts, including th | ne notes, or in |
| You must check the a | applicable box for each | item below. | | | | |
| ☐ yes ☒ no 1. | Certain component un | its/funds/agencies | s of the local unit a | re excluded from | om the financia | l statements. |
| ☐ yes ☒ no 2. | There are accumulated earnings (P.A. 275 of | d deficits in one o | | | | |
| ☐ yes ☒ no 3. | There are instances of 1968, as amended). | non-compliance | with the Uniform A | ccounting and | Budgeting Act | (P.A. 2 of |
| ☐ yes ☒ no 4. | The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. | | | | | |
| ☐ yes ☒ no 5. | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). | | | | | |
| ☐ yes ☒ no 6. | The local unit has beer unit. | | | | | her taxing |
| 6 | The local unit has viola earned pension benefit and the overfunding cro (paid during they year). | ts (normal costs) i edits are more tha | in the current year. | If the plan is | more than 100° | % funded |
| ☐ yes ☒ no 8 | | | | | | P.A. 266 of |
| ☐ yes ☒ no 9 | The local unit has not a | adopted an investi | ment policy as requ | iired by P.A. 1 | 96 of 1997 (M | CL 129.95). |
| We have enclosed | the following: | | | Enclosed | To Be Forwarded | Not Required |
| The letter of commen | nts and recommendation | ons. | | Х | | |
| Reports on individual | federal financial assis | tance programs (p | program audits). | | | X |
| Single Audit Reports | (ASLGU). | | | | | X |
| Certified Public Accounts Campbell, Kustere | | | | | | |
| Street Address | ite 100, P.O. Box 686 | | City Bay City | Sta | ite Zip VII 4870 | |
| Accountant Signature | . Kustu | \$(0 PC | | | -11 40/0 | |

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA KENNETH P. KUSTERER, CPA 512 N. LINCOLN AVE. - SUITE 100 PO. BOX 686 BAY CITY, MICHIGAN 48707 TEL (989) 894-1040 FAX (989) 894-5494

INDEPENDENT AUDITOR'S REPORT

July 20, 2007

To the Township Board Township of Summit Mason County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Summit, Mason County, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Summit's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Summit, Mason County, Michigan as of March 31, 2007, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusteren & Co., P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2007

The Management's Discussion and Analysis report of the Township of Summit covers the Township's financial performance during the year ended March 31, 2007.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2007, totaled \$479,987.95 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$281,536.02 from governmental activities. Governmental activities had a \$62,209.25 increase in net assets.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund and the Current Tax Collection Fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2007

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remain strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant was sanitation with expenditures of \$56,756.06.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets.

The Township's governmental activities paid \$0 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk at 4560 W. Anthony Road, Ludington, Michigan 49431, or by calling 231-845-6304.

GOVERNMENT-WIDE STATEMENT OF NET ASSETS March 31, 2007

| ASSETS: CURRENT ASSETS: Cash in bank | | Governmental Activities |
|--|----------------------------------|----------------------------|
| Cash in bank Taxes receivable 424 620 01 8 577 42 Total Current Assets 433 197 43 NON-CURRENT ASSETS: 75 258 12 Capital Assets 75 258 12 Less: Accumulated Depreciation (28 467 60) Total Non-current Assets 46 790 52 TOTAL ASSETS 479 987 95 LIABILITIES AND NET ASSETS: | | |
| Taxes receivable 8 577 42 Total Current Assets 433 197 43 NON-CURRENT ASSETS: 75 258 12 Capital Assets 75 258 12 Less: Accumulated Depreciation (28 467 60) Total Non-current Assets 46 790 52 TOTAL ASSETS 479 987 95 LIABILITIES AND NET ASSETS: | | |
| Total Current Assets 433 197 43 NON-CURRENT ASSETS: 75 258 12 Capital Assets 75 258 12 Less: Accumulated Depreciation (28 467 60) Total Non-current Assets 46 790 52 TOTAL ASSETS 479 987 95 LIABILITIES AND NET ASSETS: | | |
| NON-CURRENT ASSETS: 75 258 12 Capital Assets 75 258 12 Less: Accumulated Depreciation (28 467 60) Total Non-current Assets 46 790 52 TOTAL ASSETS 479 987 95 LIABILITIES AND NET ASSETS: | l axes receivable | <u>8 577 42</u> |
| Capital Assets 75 258 12 Less: Accumulated Depreciation (28 467 60) Total Non-current Assets 46 790 52 TOTAL ASSETS 479 987 95 LIABILITIES AND NET ASSETS: 479 987 95 | Total Current Assets | 433 197 43 |
| Capital Assets 75 258 12 Less: Accumulated Depreciation (28 467 60) Total Non-current Assets 46 790 52 TOTAL ASSETS 479 987 95 LIABILITIES AND NET ASSETS: 479 987 95 | NON-CURRENT ASSETS: | |
| Less: Accumulated Depreciation (28 467 60) Total Non-current Assets 46 790 52 TOTAL ASSETS 479 987 95 LIABILITIES AND NET ASSETS: | Capital Assets | 75 258 12 |
| TOTAL ASSETS 479 987 95 LIABILITIES AND NET ASSETS: | | (28 467 60) |
| LIABILITIES AND NET ASSETS: | Total Non-current Assets | 46 790 52 |
| | TOTAL ASSETS | 479 987 95 |
| LIABILITIES: | LIABILITIES AND NET ASSETS: | |
| AUDDENT LIABULTIES | | |
| CURRENT LIABILITIES | CURRENT LIABILITIES | |
| Total Current Liabilities | Total Current Liabilities | - |
| NON-CURRENT LIABILITIES | NON-CURRENT LIABILITIES | |
| Total Non-current Liabilities | Total Non-current Liabilities | |
| Total Liabilities | Total Liabilities | |
| NET ASSETS: | NET ACCETO | |
| Invested in Capital Assets, Net of Related Debt 46 790 52 | | 46 790 52 |
| Unrestricted 433 197 43 | | |
| Total Net Assets479 987 95 | Total Net Assets | <u>479 987 95</u> |
| TOTAL LIABILITIES AND NET ASSETS 479 987 95 | TOTAL LIABILITIES AND NET ASSETS | 479 987 95 |

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES Year ended March 31, 2007

| | | Program Revenue | Governmental Activities |
|---|------------------------------------|-------------------------|--|
| | Expenses | Charges for Services | Net (Expense) Revenue and Changes in Net Assets |
| FUNCTIONS/PROGRAMS Governmental Activities: | | | |
| Legislative General government Public safety | 33 206 61 67 070 07 7 559 56 | - 56 350 42 - | (33 206 61) (10 719 65) (7 559 56) |
| Public works Culture and recreation | 90 160 33 21 330 20 | 3 700 00 | (90 160 33) (17 630 20) |
| Total Governmental Activities | 219 326 77 | 60 050 42 | (159 276 35) |
| General Revenues: Property taxes State revenue sharing Interest Miscellaneous | | | 121 151 43 72 276 02 25 381 76 2 676 39 |
| Total General Revenues | | | 221 485 60 |
| Change in net assets | | | 62 209 25 |
| Net assets, beginning of year | | | 417 778 70 |
| Net Assets, End of Year | | | 479 987 95 |

BALANCE SHEET - GOVERNMENTAL FUNDS March 31, 2007

| <u>Assets</u> | General |
|--|------------------------------------|
| Cash in bank Taxes receivable Due from other funds | 421 718 79 8 577 42 2 901 22 |
| Total Assets | 433 197 43 |
| Liabilities and Fund Equity | |
| Liabilities Total liabilities | <u> </u> |
| Fund equity: Fund balances: Unreserved: Undesignated Total fund equity | <u>433 197 43</u> 433 197 43 |
| Total Liabilities and Fund Equity | 433 197 43 |

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS March 31, 2007

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS

433 197 43

Amounts reported for governmental activities in the statement of net assets are different because –

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:

Capital assets at cost 75 258 12
Accumulated depreciation (28 467 60)

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES 479 987 95

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**GOVERNMENTAL FUNDS** Year ended March 31, 2007

| | General |
|--|------------------------|
| Revenues: | 404 454 40 |
| Property taxes | 121 151 43 1 400 00 |
| Licenses and permits State revenue sharing | 72 276 02 |
| Charges for services – PTAF | 72 276 02 54 250 42 |
| Charges for services – other | 4 400 00 |
| Interest | 25 381 76 |
| Miscellaneous | 25 361 76 |
| Miscellaneous | |
| Total revenues | <u>281 536 02</u> |
| Expenditures: | |
| Legislative: | |
| Township Board | 33 206 61 |
| General government: | |
| Supervisor | 10 061 98 |
| Elections | 2 339 30 |
| Assessor | 14 250 00 |
| Clerk | 11 268 27 |
| Board of Review | 721 39 |
| Treasurer | 21 612 66 |
| Cemetery | 6 816 47 |
| Public safety: | |
| Fire protection | 7 559 56 |
| Public works: | |
| Highways and streets | 33 404 27 |
| Sanitation | 56 756 06 |
| Culture and recreation: | |
| Parks and recreation | <u>19 987 50</u> |
| Total expenditures | 217 984 07 |
| Excess of revenues over expenditures | 63 551 95 |
| Fund balance, April 1 | 369 645 48 |
| Fund Balance, March 31 | 433 197 43 |

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES Year ended March 31, 2007

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS

63 551 95

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation

| these costs are allocated over their estimated useful lives as depreciation | |
|---|------------|
| Depreciation Expense Capital Outlay | (1 342 70) |
| CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES | 62 209 25 |

NOTES TO FINANCIAL STATEMENTS March 31, 2007

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Township of Summit, Mason County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Summit. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Joint Venture

The Township of Summit and the Townships of Amber, Branch, Custer, Eden, Freesoil, Grant, Meade, Riverton, Sheridan, Sherman and Victory, and the Villages of Custer, Fountain and Freesoil and the City of Scottivlle jointly formed the Mason County Rural Fire Authority to provide fire protection services for the sixteen local governmental units. For the fiscal year ended March 31, 2007, the Fire Authority levied property taxes within the Township of Summit which amounted to \$124,912.76. The Township of Summit also paid \$7,559.56 to the Fire Authority for the fiscal year ended March 31, 2007. The Fire Authority is not considered a part of the reporting entity of the Township of Summit. Separate financial statements of the Fire Authority may be obtained directly from their office at P.O. Box 152, Custer, Michigan.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

NOTES TO FINANCIAL STATEMENTS March 31, 2007

Note 1 – <u>Summary of Significant Accounting Policies</u> (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

<u>Inventories</u>

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2006 tax roll millage rate was .9699 mills, and the taxable value was \$123,214,999.00.

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

Note 1 – <u>Summary of Significant Accounting Policies</u> (continued)

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$3,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements

30 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – <u>Budgets and Budgetary Accounting</u>

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

- 1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
- 2. The proposed budgets include expenditures as well as the methods of financing them.
- 3. Public hearings are held to obtain taxpayer comments.
- The budgets are adopted at the activity level by a majority vote of the Township Board.
- 5. The budgets are adopted on the modified accrual basis of accounting.
- 6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.

NOTES TO FINANCIAL STATEMENTS March 31, 2007

Note 2 – Budgets and Budgetary Accounting (continued)

- 7. The adopted budgets are used as a management control device during the year for all budgetary funds.
- 8. Budget appropriations lapse at the end of each fiscal year.
- 9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

| | Carrying |
|----------------|------------|
| | Amounts |
| Total Deposits | 424 738 81 |

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

| | Bank <u>Balances</u> |
|---|--------------------------|
| Insured (FDIC) Uninsured and Uncollateralized | 214 349 08 232 166 02 |
| Total Deposits | <u>446 515 10</u> |

The Township of Summit did not have any investments as of March 31, 2007.

NOTES TO FINANCIAL STATEMENTS March 31, 2007

Note 4 - Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

| | Balance 4/1/06 | Additions | Deletions | Balance 3/31/07 |
|--------------------------|-------------------|------------|-----------|--------------------|
| Governmental Activities: | | 7 100110 | 20,000 | |
| Land | 34 977 12 | - | - | 34 977 12 |
| Buildings | 40 281 00 | | | 40 281 00 |
| Total | 75 258 12 | - | - | 75 258 12 |
| Accumulated Depreciation | (27 124 90) | (1 342 70) | | (28 467 60) |
| Net Capital Assets | 48 133 22 | (1 342 70) | | 46 790 52 |

Note 5 - Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 - Building Permits

The Township of Summit does not issue building permits. Building permits are issued by the County of Mason

Note 9 - Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

| <u>Fund</u> | Interfund <u>Receivable</u> | <u>Fund</u> | Interfund Payable | |
|-------------|--------------------------------|------------------------|----------------------|--|
| General | 2 901 22 | Current Tax Collection | 2 901 22 | |

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND Year ended March 31, 2007

| | Original Budget | Final Budget | Actual | Variance with Final Budget Over (Under) |
|---------------------------------|--------------------|-----------------|-------------------|--|
| Revenues: | <u> </u> | <u> </u> | , 10124. | 10 |
| Property taxes | 113 620 00 | 113 620 00 | 121 151 43 | 7 531 43 |
| Licenses and permits | 150 00 | 150 00 | 1 400 00 | 1 250 00 |
| State revenue sharing | 57 500 00 | 57 500 00 | 72 276 02 | 14 776 02 |
| Charges for services: | 3. 333 33 | | • • - | |
| Property tax administration | 45 500 00 | 45 500 00 | 54 250 42 | 8 750 42 |
| Other | 4 000 00 | 4 000 00 | 4 400 00 | 400 00 |
| Interest | 14 000 00 | 14 000 00 | 25 381 76 | 11 381 76 |
| Miscellaneous | | - - | 2 676 39 | 2 676 39 |
| Total revenues | 234 770 00 | 234 770 00 | 281 536 02 | 46 766 02 |
| Expenditures: | | | | |
| Legislative: | | | | |
| Township Board | 28 845 00 | 34 674 85 | 33 206 61 | (1 468 24) |
| General government: | | | | |
| Supervisor | 9 046 00 | 10 562 70 | 10 061 98 | (500 72) |
| Elections | 1 820 00 | 2 588 00 | 2 339 30 | (248 70) |
| Assessor | 15 750 00 | 15 750 00 | 14 250 00 | (1 500 00) |
| Clerk | 11 220 00 | 11 688 57 | 11 268 27 | (420 30) |
| Board of Review | 1 795 00 | 1 795 00 | 721 39 | (1 073 61) |
| Treasurer | 24 676 00 | 24 713 00 | 21 612 66 | (3 100 34) |
| Cemetery | 6 225 00 | 7 344 00 | 6 816 47 | (527 53) |
| Public safety: | | | | |
| Fire protection | 9 500 00 | 9 500 00 | 7 559 56 | (1 940 44) |
| Public works: | | | | |
| Highways and streets | 413 639 49 | 391 972 80 | 33 404 27 | (358 568 53) |
| Sanitation | 49 912 00 | 57 297 47 | 56 756 06 | (541 41) |
| Culture and recreation: | | | | |
| Parks and recreation | 21 798 00 | 26 339 90 | <u> 19 987 50</u> | (6 352 40) |
| Total expenditures | 594 226 49 | 594 226 29 | 217 984 07 | (376 242 22) |
| Excess (deficiency) of revenues | | | | |
| over expenditures | (359 456 49) | (359 456 29) | 63 551 95 | 423 008 24 |
| Fund balance, April 1 | 359 456 49 | 359 456 29 | 369 645 48 | 10 189 19 |
| Fund Balance, March 31 | | <u> </u> | 433 197 43 | 433 197 43 |

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT Year ended March 31, 2007

| Township Board: | |
|--|--------------------|
| Salaries | 1 340 00 |
| Fringe benefits | 102 56 |
| Professional services | 26 138 20 |
| Dues | 1 887 23 |
| Printing and publishing | 692 65 |
| Insurance | 2 970 00 |
| Miscellaneous | <u>75 97</u> |
| | 33 206 61 |
| Supervisor: | 7 400 00 |
| Salary | 7 102 00 |
| Fringe benefits | 543 28 400 00 |
| Transportation Utilities | 500 00 |
| Miscellaneous | <u> 1 516 70</u> |
| Miscellaticous | 10 061 98 |
| Elections: | |
| Wages | 2 168 00 |
| Transportation | 24 47 |
| Printing and publishing | <u>146 83</u> |
| | 2 339 30 |
| Assessor: | |
| Contracted services | 14 250 00 |
| | |
| Clerk: | 2 222 22 |
| Salary | 8 323 00 |
| Fringe benefits | 636 72 |
| Office supplies | 953 60 500 00 |
| Transportation Utilities | 500 00 |
| Repairs and maintenance | 354 95 |
| Repairs and maintenance | 11 268 27 |
| Board of Review: | 11 200 27 |
| Wages | 530 00 |
| Fringe benefits | 40 55 |
| Miscellaneous | <u> 150 84</u> |
| | <u>721 39</u> |
| Treasurer: | |
| Salary | 7 998 00 |
| Salary – summer tax Fringe benefits | 3 267 00 |
| Office supplies | 861 78 8 485 88 |
| Transportation | 500 00 |
| Utilities | 500 00 |
| - | 21 612 66 |
| Cemetery: | |
| Professional services | 4 014 00 |
| Utilities | 97 03 |
| Miscellaneous | 2 705 44 |
| | 6 816 47 |
| | |

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT Year ended March 31, 2007

| Fire protection: | |
|-------------------------|-------------------|
| Contracted services | 5 059 56 |
| Supplies | <u>2 500 00</u> |
| | 7 559 56 |
| | |
| Highways and streets: | |
| Repairs and maintenance | <u>33 404 27</u> |
| | |
| Sanitation: | |
| Wages | 8 207 25 |
| Fringe benefits | 612 59 |
| Contracted services | 47 177 63 |
| Miscellaneous | <u>758_59</u> |
| | <u>56 756 06</u> |
| Parks and recreation: | |
| Wages | 3 575 45 |
| Fringe benefits | 299 85 |
| Contracted services | 4 358 60 |
| Utilities | 369 23 |
| Repairs and maintenance | 8 584 23 |
| Memberships and dues | 2 500 00 |
| Miscellaneous | 300 14 |
| | 19 987 50 |
| | |
| Total Expenditures | <u>217 984 07</u> |

CURRENT TAX COLLECTION FUND STATEMENT OF CHANGES IN ASSETS AND LIABILITIES Year ended March 31, 2007

| | Balance 4/1/06 | Additions | Deductions | Balance 3/31/07 |
|--|-------------------|----------------------------|----------------------------|--------------------|
| <u>Assets</u> | | | | |
| Cash in Bank | 3 146 86 | <u>4 734 899 45</u> | 4 735 026 29 | 3 020 02 |
| <u>Liabilities</u> | | | | |
| Due to other funds Due to other units | 3 146 86 | 171 508 31 4 563 391 14 | 171 753 95 4 563 272 34 | 2 901 22 118 80 |
| Total Liabilities | <u>3 146 86</u> | <u>4 734 899 45</u> | <u>4 735 026 29</u> | 3 020 02 |

CURRENT TAX COLLECTION FUND STATEMENT OF CHANGES IN ASSETS AND LIABILITIES Year ended March 31, 2007

| Cash in bank – beginning of year | 3 146 86 |
|--|--|
| Cash receipts: Property tax Interest Total cash receipts | 4 725 099 26 9 800 19 4 734 899 45 |
| Total beginning balance and cash receipts | 4 738 046 31 |
| Cash disbursements: Township General Fund Mason County Mason County Rural Fire Authority Mason – Lake Intermediate School District Ludington Area School District Pentwater School District West Shore Community College State of Michigan Refunds Total cash disbursements | 171 753 95 1 750 555 39 118 733 79 433 145 46 1 864 436 17 142 20 375 195 32 16 358 92 4 705 09 4 735 026 29 |
| Cash in Bank – End of Year | 3 020 02 |

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA KENNETH P. KUSTERER, CPA 512 N. LINCOLN AVE. - SUITE 100 PO. BOX 686 BAY CITY, MICHIGAN 48707 TEL (989) 894-1040 FAX (989) 894-5494

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

July 20, 2007

To the Township Board Township of Summit Mason County, Michigan

We have audited the financial statements of the Township of Summit for the year ended March 31, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Summit in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board Township of Summit Mason County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2007.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

CAMPBELL, KUSTERER & CO., P.C.
CETIFIED PUBLIC Accountants